

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Guaranty Bancshares, Inc.

Point of Contact:	Alton B. Lewis	RSSD: (For Bank Holding Companies)	3589560
UST Sequence Number:	1287	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	20,699,000	FDIC Certificate Number: (For Depository Institutions)	14028
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	August 28, 2009	City:	Hammond
Date Repaid ¹ :	N/A	State:	Louisiana

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

With the availability of capital provided by the CPP funds, First Guaranty Bank was able to increase lending from \$589, 902,000 as of December 31, 2009 to \$622,646,000 as of June 30, 2010. Without the CPP funding, this loan volume would not have been possible due to the capital constraints.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Commercial, Industrial loans, and Commercial Real Estate loans

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☒ **Increase securities purchased (ABS, MBS, etc.).**

Anticipating the reduction in loan interest income, in June of 2008, the Bank began acquiring agency securities of \$1 - \$10 million each and highly rated corporate bonds in amounts not to exceed \$250,000 per bond. The policy of bond acquisition to provide a steady income stream.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

First Guaranty Bank increased its allowance for loan losses from a balance of \$7,919,000 as of December 31, 2009 to \$8,317,000 as of December 31, 2010 while charging off a total of \$5,613,000 in loans.

☐ **Reduce borrowings.**

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☒ **Increase charge-offs.**

First Guaranty Bank was able to increase chargeoffs and reduce nonperforming assets while maintaining capital levels and, increasing the reserve for loan losses using earnings from assets which were acquired with the CPP funding.

☒ **Purchase another financial institution or purchase assets from another financial institution.**

On October 22, 2010 First Guaranty Bancshares, Inc. entered into an agreement for the acquisition of Greensburg Bancshares, Inc.

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

1. Increase Lending. 2. Increase Securities Portfolio from \$264,386,000 as of December 31, 2009 to \$548,127,000 as of April 30, 2011. This ensured a steady income stream in a period during which income from loans decreased. 3. Restructure or Charge-off Non performing Assets. 4. Enter into an agreement to acquire Greensburg Bancshares, Inc. to be merged into First Guaranty Bank. 5. Acquire software and equipment to institute programs to enhance internal controls and credit analysis. This should result in higher asset quality on a going forward basis. 6. Increase ALLL.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.